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PROFITABLE FACTS, TRENDS, IDEAS, PRODUCTS FOR THE GROCERY INDUSTRY

Supermarket Business

FORMERLY SUPERMARKETING

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MARCH 1980

Exclusive study of independents reveals:

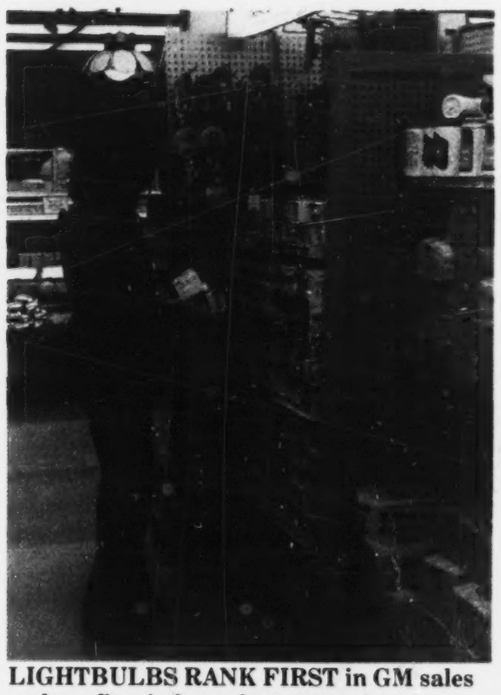
Three Stumbling Blocks Stymie GM/HBA Profits

100 in-depth interviews find many grocers still lack confidence, cling to food image

by Joe Allen, general merchandise editor, and Marianne Faybik, market research manager

NEW YORK CITY—Pushing aside three key stumbling blocks could hike general merchandise/health and beauty aids sales and profits for many independent grocers.

In order to make progress, independents must:



LIGHTBULBS RANK FIRST in GM sales and profits, independents report.

(1) Improve their knowledge of GM/HBA mechanics;

(2) Develop confidence that such products can be sold in volume in their stores;

(3) Be more willing to shed the "food only" image of past days.

The last point applies particularly to grocers in residential areas, where opportunities to do a bigger GM/HBA job seem more pronounced.

These are key findings of SUPERMARKET BUSINESS' new "Real Worlds of General Merchandise" study of GM/HBA's current position among independents. Based on in-depth interviews with 100 independents around the country, the new study reveals this category is producing an average 6.4 percent of their total store sales from 5.7 percent of store space.

"Real Worlds" found the nation's independents divided over whether GM/HBA sections are profit-makers or "necessary evils"—many retailers acknowledge the category's high profit potential; others fear driving away long-time customers with food stores diluted by GM/HBA.

Interestingly, "Real Worlds" found small-town independents tend to do better with GM/HBA than independents in other locations. They're also more enthusiastic than others about the category. Whether they do better because they have more faith in GM/HBA, or have more faith in GM/HBA because they're doing better with it is not certain; what is certain is that retailers who approach GM/HBA's potential positively make more money from their sections than retailers whose lack of conviction or interest permits them to

■ *Continued on page 30*

SUCCESS WITH GM/HBA VARIES by store location, SB's "Real Worlds" survey of independents found. For this reason, the sample was divided into three store types by location: small-town, suburban and neighborhood stores. Small-town stores do the best job of producing sales from available space.

First Controlled Scan Project Makes Town a Laboratory

by Elise J. Marton, associate editor

PITTSFIELD, Mass.—Mrs. Jones buys Brand A of mouthwash, and has done so for years. What will happen when she gets a ten-cent coupon for Brand B? Will she switch? How about a 20-cent coupon? Twenty-five?

What if she sees television ads for Brand B, or an in-store promotion? Will these win her over? And if they do, how long will she continue to buy Brand B before going back to her old favorite?

If Mrs. Jones is a participant in Shoppers' Hotline, an ambitious and innovative market research program here and in Marion, Ind., answers to these questions may be more easily gotten than in the past.

The program being run by Information Resources Inc. (Chicago) is based on the idea that whatever a market researcher can do with paper, pencil and telephone, a scanning system can do better. IRI has blanketed Pittsfield and Marion with scanning equipment, at its own expense, in order to track nearly 100 percent of the scannable food purchases of a 3,000-member consumer panel chosen especially for the project.

The object of the Shoppers' Hotline program is "to measure existing buying habits of people, introduce variables into the market, and determine the response of people to those variables," according to operations vice president Jim McNulty.

As this implies, there is considerably more to the Shoppers' Hotline program than installing scanning equipment and tracking individuals' purchases.

Other components of the program include:

■ Targeting different cable television advertisements to different households to see the impact of these ads on purchases;

■ Doing the same with newspaper advertisements;

■ Tracking the use of coupons by panel members;

■ Launching new products in stores to see how they are received, and by whom;

■ Testing the effects of various types

■ *Continued on page 18*

Use Computer Tools To Assess Store's Remodeling Needs

by David S. Rogers, Retail Research, Inc.

BLOOMFIELD HILLS, Mich.—Remodeling decisions no longer have to be subjective, or simply reactions to competitors' moves. Sophisticated analysis techniques are now available to grocery retailers wishing to identify profitable opportunities for store remerchandising and remodeling.

"Squeezing more out of the lemon" demands that retailers know their stores and thoroughly analyze their performance. Obvious signs that a store needs attention are real declines in sales and sales per square foot, and weak performance versus similar sister stores.

However, grocery retailers need a more sophisticated way of appraising store performances. This can be found in a new computer-based Store Performance Analysis (SPA) system. This analyzes store, department, and even product line sales information to provide

■ *Continued on page 26*

NAWGA Show Spotlights New Thrusts Needed to Raise 1980's Productivity

by Richard Marini, contributing editor

CHICAGO — Insufficient productivity, aggravated by double-digit inflation, poses a serious threat to many wholesale food distributors during the coming decade.

This warning will be given to an estimated 2,000 delegates at the annual National-American Wholesale Grocers' Association (NAWGA) convention, to be held March 16-19 at the Palmer House here.

"The 1980's will be the beginning of a new era in terms of requirements for successful management of this industry," says NAWGA president Jerry Peck. "Productivity has now become even more critical, as we've used up most of our readily available non-people productivity increases, such as one-floor warehouses, faster merchandise handling and better tools."

No fewer than half of the 38 workshops scheduled for the meeting deal in some way with ways to increase productivity.

"Managing In the Eighties" was cho-

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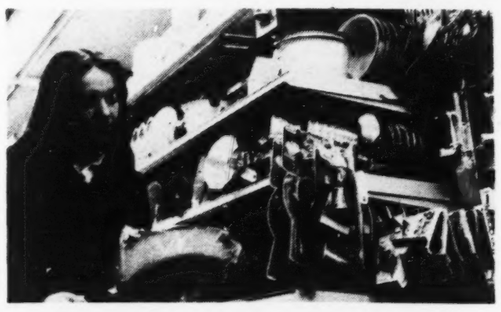

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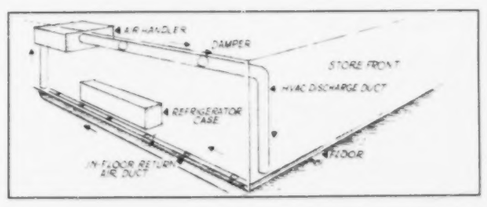

The Publisher's View

Beware: 1-Stop Shopping Is A Wolf In Sheep's Clothing!

by Howard Rauch

Infatuation with one-stop shopping is nothing new for retailers or manufacturers. Lured on by the belief that consumers are more interested than ever before in buying everything in one place, we diversify our lines, build bigger stores and generally set out to exploit the gamut of shopper impulses.

But one-stop shopping is certainly nothing new, and as we gear up for it in the 80's, perhaps we should be concerned with whether or not this phenomenon is indeed a wolf in sheep's clothing.

History tells us that in the 50's and 60's, retailer adrenalin was really percolating over the prospects of one-stop shopping. Massive stores were built by discount chains and others...which eventually led us through periods of overstoring and perhaps a few Chapter XI situations.

Manufacturers, of course, were left holding the accounts receivable bag as overambitious retailers folded their expansion tents.

In those days, as I recall, the idea of cashing in on one-stop shopping was linked with the rush to suburbia—the fact that so-called mobile consumers would be driving longer distances to shop ... and therefore would be inclined to buy everything in one place.

Today, I again hear the importance of one-stop shopping being trumpeted. Its prospects have been "revived" by the thought that consumers looking to control gasoline expense will definitely want to buy everything in one place.

And again we have talk of building superstores, combination stores, adding more of everything and cashing in on all those impulse purchases.

Make sense? Well, perhaps there are a few differences. First, we have more grocery chains involved in this current wave of expansion/diversification than was the case 20-30 years ago.

Second, we have more severe inflation, which has to influence the habits of even higher income consumers. I think that we will surely see more frequent food purchases involving fewer items. Impulse buying could be restrained.

If this is true, shoppers may be looking for more of those smaller stores—we call them conventional markets—that they can get into and out of quickly. Or they will certainly be more in tune with those bigger stores that have several express lanes or other devices for speeding the checkout process.

Yes, we may be moving toward a new plateau in one-stop shopping. But we had better be gearing up in terms of what the average purchase will be during that stop. Then perhaps we will plan more realistically than may be the case today.

* * * * *

Space management is the subject of a new SUPERMARKET BUSINESS survey to be released this May. But early returns representing close to 2,000 stores tell us such things as:

- There is no universal approach to shuffling faster movers in and slower movers out.
- More frequent performance review of every category is the rule rather than the exception.
- Considerable product shuffling involves frozen foods, dairy, canned fruit and vegetables.
- General merchandise performance is being screened more carefully. Categories that are not paying their way in 1980 may be replaced by promising food items!

An update on this new important survey is part of "Grocery Trends—Digging Into The 80's"—our most current slide show. "Digging Into ... " includes volume projections out to 1990 for all major grocery lines.

This presentation also deals with major issues of concern to grocery executives, current status of scanning and new store formats plus some new statistical ideas on how to map product performance.

If you have a major meeting upcoming where participants are interested in "digging into" future grocery prospects, our new 55-minute show might be a worthwhile addition to your program.

Presentations are given personally by SUPERMARKET BUSINESS staff members. If you'd like more information, drop me a note or give me a call.

Supermarket Business

Publisher and Editorial Director: Howard Rauch
Associate Publisher: M. Joseph Walsh
Editor: Bruce Buckley
Managing Editor: Carol Fensholt
General Merchandise Editor: Joe Allen
Associate Editors: Elise J. Marton, Peter J. Jauquet
Assistant Editors: Lauren Radler, Robert Rauch
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Circulation Manager: Brenda Boothby
Circulation Direct Mail Manager: Barbara Nastro

Advertising Representatives:

New York: Tino DeCarlo, advertising sales manager; Joe Barber, eastern manager; Gralla Publications, 1515 Broadway, New York, NY 10036 (212) 869-1300

Chicago: Bill Loeb, midwest manager, Gralla Publications, 3601 West Devon Ave., Chicago, IL 60645 (312) 588-7622

Cleveland: M. Joseph Walsh, 24800 Chagrin Blvd., Cleveland, OH 44122 (216) 464-0471

West Coast: Barry Futtersak, Gralla Publications, 16200 Ventura Blvd., Encino, CA 91436 (213) 788-0271

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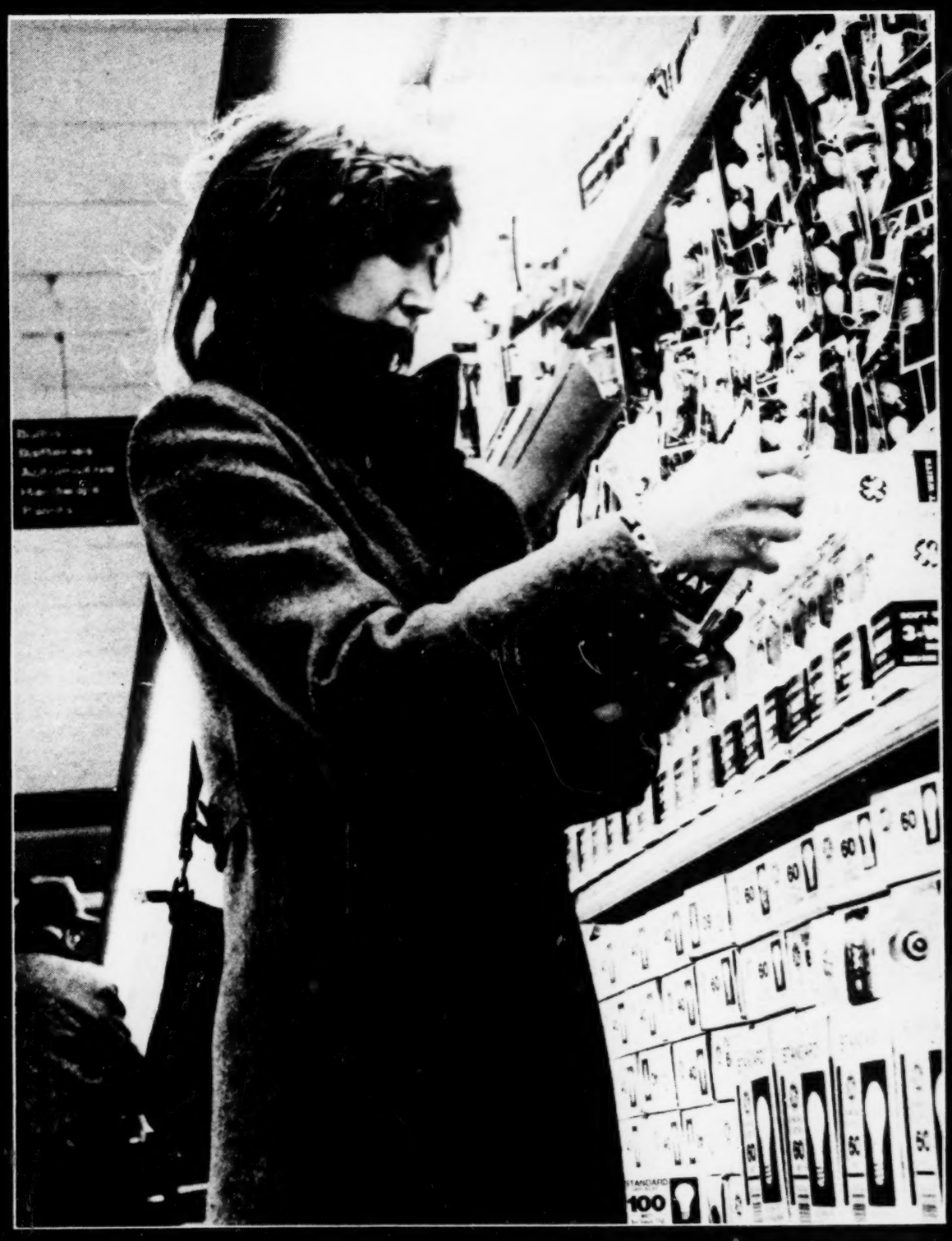
Supermarket Business

Special Report from 100 Independents:

Real Worlds of General Merchandise



Study Pinpoints Independents' GM/HBA Progress

Solving 3 problems could spark great non-food gains....

■ *Continued from page 1*

be out-merchandised by other supermarkets, discount drug stores and mass merchandisers.

The three key problems facing retailers who view GM/HBA as a necessary evil are, in more detail:

(1) Lack of knowledge—too often, independent operators abandon their entire GM/HBA department to a service merchandiser. Busy with other store problems, they never acquire even the rudimentary knowledge that would enable them to determine something so basic as whether the department is being run for their benefit or the service merchandiser's.

For example, does the service merchandiser really expect that caseload of Snoopy sneakers to sell, or is he unloading on an out-of-the-way independent his unwanted overstock until he gets around to making good on his merchandise credits?

(2) Lack of conviction—old-guard independents see themselves strictly as food retailers, and view GM/HBA inroads not as an opportunity but as a threat. "If I dilute my shelves with a lot of non-food items, people will stop coming into my store," is a comment SB heard over and over from retailers everywhere.

(3) Lack of confidence—"I can't compete with the K Mart down the street in either price or variety, so why should I give myself a headache by trying to manage an extensive non-foods department?" was a typical explanation.

In each case, the problems are more perceived than real; the real problem is one of education and of adjustment to meet the demands of a changing marketplace as independents enter the 1980's.

Criss-crossing the country, SUPERMARKET BUSINESS found GM/HBA success to vary significantly according to store location. It may be that the most successful operators can offer important clues for maximizing GM/HBA's potential.

HOSIERY WAS NAMED A "TOP THREE PROFIT MAKER" by the second largest number of survey respondents, trailing lightbulbs but ahead of flashlights and batteries.

Location and Size of Sample Stores

STORE LOCATION
(based on 98 replies)

Type of Location	Number of Replies	Percent of Response
Suburban	43	43.9%
Small Town	27	27.5
Neighborhood	28	28.6
Total	98	100.0%

Store Size

By Store Location (based on 93 replies)	Number of Replies	Avg. Store Size (sq.ft.)
Suburban	45	12,656
Small Town	24	12,101
Neighborhood	24	11,605
Total	93	12,242

Number of Stores (based on 94 replies)	Number of Replies	Percent of Response
Under 10,000 sq. ft	38	40.4%
10,000-17,000 sq. ft	34	36.2
18,000 or more sq. ft	22	23.4
Total	94	100.0*

Source: SUPERMARKET BUSINESS

Small-Town Stores Do Best Among Independent Supers

When it comes to selling GM/HBA, small-town independent supermarkets stand head and shoulders above independents in other locations. Their GM/HBA sales are higher in relation to department size, and they have more ambitious expansion plans.

During nine months of "Real Worlds" research, SB encountered wide disparity in the way independents operate their GM/HBA departments. Some operators were well-organized and aggressive. They sought to promote their GM/HBA lines, maintain good product mix and clean departments, and assure themselves of reliable supply methods. Naturally, these stores enjoyed the highest ROI.

For other operators, lack of faith in GM/HBA potential became a self-fulfilling prophesy. Here, skimping on space, poor product mix and excessive stock-outs resulted in dismal ROI.

As mentioned, SB found independents' GM/HBA success to vary according to store location, even when factors such as store size and volume were the same.

Accordingly, the 100-store sample was broken down into three categories by store location: neighborhood, suburban and small-town supermarkets. Each was defined as follows for "Real Worlds" purposes:

- **Neighborhood stores**—stores located within residential areas zoned primarily for housing;
- **Suburban stores**—stores typically located on main traffic arteries or commercial strips, including shopping centers, just outside a major city;
- **Small-town stores**—stores located in towns or villages not heavily influenced by a neighboring city. In these towns, most residents work as well as live within the community.

"While the threat of competition has sent small-town operators roaring into action, it's prompting some suburban operators to beat a hasty retreat."

To help pinpoint success with GM/HBA, SB used as a yardstick a store's space/sales ratio: if GM/HBA's percentage of a store's space was equal to its percentage of store sales, the store's non-foods program was considered adequate or average.

Above-average success was indicated by sales percentages higher than space percentages; below-average success, by sales percentages lower than space percentages.

This space/sales analysis showed small-town stores to have a decisive lead over neighborhood and suburban stores.

Of the latter, suburban stores appear to have the biggest problems. Results show the average suburban store devotes 3.4 percent of its space to HBA and 3.8 percent to GM—while the categories each produce just 3.1 percent of total store sales, a decidedly unsatisfactory performance.

Neighborhood stores fare slightly better under formula analysis—though the percentage of GM/HBA space to total store space is depressingly low: GM gets 2.2 percent of space and produces 3 percent of store sales; HBA gets a negligible 1.1 percent of space but yields 2.3 percent of sales.

In terms of space/sales analysis, small-town stores do by far the best job with GM/HBA, though, again, percentage of total space devoted to the category is dismally low: from the 1.9 percent of space they devote to HBA, small-town stores produce 4.1 percent of total store sales; from 3.1 percent of space, GM produces 4 percent of sales.

Competition may be one explanation—small-town stores appear to be less threatened by hefty competition from other supermarkets, convenience stores, discount drugstores or mass merchandisers than are neighborhood and suburban stores.

Also, it may be that small-town operators know their customers better and are therefore better able to cater to their needs.

GM/HBA Sales Rise...But Slower Than Total Store

All three types of independents boosted their 1979 GM/HBA sales above 1978 levels, but no GM/HBA increase matched the rise in total store sales.

Small-town stores again set the pace, posting a 15.2 percent total store gain, an HBA gain of 13.9 percent and a GM rise of 11.1 percent.

For 1980, independents see a 10.1 percent rise in total store sales, an 11.8 percent GM rise and 9.4 percent HBA rise—interesting, since in the past, HBA has risen faster for them than GM.

Small-town operators are the optimists among independents—they anticipate a 14.6 percent rise in total store sales, a 12.4 percent HBA hike and 11.8 percent growth for GM. They look to the future without fear, and to competition with do-or-die spirit: "To combat the superstores, we're going to expand GM/HBA even if we have to break down our walls to do it," one Seattle area operator asserted.

Independents must find more GM/HBA space somehow if they're to remain in business, he stressed.

Small-town operators agreed with that assessment more often than did suburban or neighborhood stores; nearly a third reported adding space to non-foods in 1979. By contrast, only a fifth of suburban and only a tenth of neighborhood operators added GM/HBA space last year.

In fact, while the threat of competition has sent small-town operators roaring into action, it's prompting some suburban operators to beat a hasty retreat—eight percent actually reduced GM/HBA space last year.

Explained a Richmond, Va. retailer, "There's a discount chain store two doors down, a big supermarket three blocks away, and box store nearby. How am I supposed to compete with them? I'm cutting back because I'm just wasting space if I don't."

His attitude, as well as that of the bullish small-town Seattle area operator, is reflected in "Real Worlds" statistics: a mere eight percent of suburban operators plan to expand GM/HBA space in 1980, while fully half of small-town operators plan to expand GM space and nearly 40 percent plan to add to HBA.

Neighborhood operators fall somewhere in between on the expansion issue—they're not as gung-ho as small-town operators about GM/HBA, but appear at least more willing to give it a chance: 25 percent plan to add space to HBA, while 18 percent will add to GM.

Nonetheless, pessimism among neighborhood operators was clearly evident. "The trend is growing stronger toward one-stop shopping in malls," lamented one Illinois neighborhood retailer. "More and more action is going on in shopping centers, and we're sort of getting cut off from it. Customers are driving right by us to the mall, and doing all their shopping there."

"When it comes to selling GM/HBA, small-town independent supermarkets stand head and shoulders above independents in other locations."

General downturn in the economy has made him even less optimistic about his future, this retailer added.

Real Worlds of General Merchandise

Lightbulbs, Hosiery Cited As Top GM Profit Makers

Departments stuffed with GM items returning 40-, 50- or 60-percent margins are potential gold mines for independents, and they know it—many reported trying such items, at least on a limited basis.

The $64 question, of course, is, "Is it worth it to tie up shelf space with high-margin items when those items might sit there for months, gathering dust?"

Most independents vote no, choosing fast movers with good margins over questionable movers with gargantuan margins.

Lightbulbs, first in the fast-movement lineup and offering 40-percent margins, fill the bill—more than half of all retailers put lightbulbs on their "Three Best GM Sellers" list, making it the most often cited item.

Hosiery was named a "Top Three" GM profit maker by the second-largest number of respondents. It was followed by flashlights and batteries, stationery and writing implements, and pet accessories.

Magazines and books, also frequently named to the "Top Three" list, were cited most often by small-town operators. One explanation: Small-town stores often corner the publications market; suburban and neighborhood stores, faced with more competition, are forced to share the market with other retail outlets.

Similarly, photo supplies were named to the list by almost a fourth of small-town operators, and by far fewer neighborhood and surburban store operators. Again, small-town operators are probably more assured of a big market share than are the other two store types.

Automotives—meaning motor oil, usually—also were named to the list more often by small-town operators than by the others.

Greeting cards, cited by suburban and small-town operators with equal frequency, were named to the "Top Three" list by few neighborhood stores owners.

Q. Which are your 3 BEST SELLING 'OTHER' GENERAL MERCHANDISE items?

	% Naming in TOP 3			
(number of replies)	All Responses (91)	Suburban Stores (43)	Small Town Stores (22)	Neighborhood Area Stores (26)
"Other" General Merchandise				
Lightbulbs	54.9%	65.1%	40.9%	50.0%
Automotive Products	29.7	34.9	31.8	19.2
Magazines/Books	27.5	27.9	40.9	15.4
Flashlights & Batteries	26.4	25.6	13.6	38.5
Hosiery	20.9	16.3	22.7	26.9
Stationery	15.4	14.0	22.7	11.5
Photo Products	15.4	20.9	9.1	11.5
Pet Accessories	11.0	14.0	4.5	11.5
Mops, Brooms	11.0	9.3	9.1	15.4
Kitchen Utensils	8.8	4.7	13.6	11.5
School Supplies	6.6	4.7	9.1	7.7
Greeting Cards	6.6	7.0	4.5	7.7
Disposable Lighters	5.5	7.0	0.0	7.7
Writing Implements	4.4	4.7	0.0	7.7
Kitchen Software	4.4	4.7	0.0	7.7
Glassware	4.4	4.7	4.5	3.8
Other Housewares	3.3	2.3	9.1	0.0
Hardware	2.2	2.3	4.5	0.0
Gloves	2.2	2.3	0.0	3.8
Men's/Boys' Socks	2.2	0.0	9.1	0.0
Yarn	2.2	2.3	4.5	0.0
Toys	2.2	2.3	4.5	0.0
Others*	6.6	7.0	13.6	0.0

* 6 Others named by 1 respondent each.

Source: SUPERMARKET BUSINESS

Q. Which are your 3 MOST PROFITABLE 'Other' GENERAL MERCHANDISE items?

	% Naming in TOP 3			
(number of replies)	All Responses (75)	Suburban Stores (30)	Small Town Stores (21)	Neighborhood Area Stores (34)
"Other" General Merchandise				
Lightbulbs	50.7%	63.3%	38.1%	45.8%
Hosiery	33.3	36.7	23.8	37.5
Flashlights & Batteries	28.0	26.7	19.0	37.5
Stationery/Writing Implements	20.0	20.0	19.0	20.8
Pet Accessories	17.3	23.3	4.8	12.5
Magazines/Books	16.0	13.3	23.8	12.5
Greeting Cards	14.7	16.7	14.3	4.2
Photo Products	13.3	13.3	23.8	12.5
Automotive Products	13.3	10.0	19.0	4.2
Glassware	8.0	6.7	14.3	8.3
Mops, Brooms	8.0	10.0	4.8	8.3
Kitchen Utensils	8.0	6.7	4.8	12.5
Disposable Lighters	6.7	0.0	9.5	12.5
Housewares	5.3	3.3	4.8	8.3
School Supplies	4.0	3.3	4.8	4.2
Vacuum Bottles	4.0	3.3	9.5	0.0
Clothing	2.7	0.0	9.5	0.0
Gloves	2.7	3.3	0.0	4.2
Others*	16.0	23.3	23.8	0.0

* 12 others named by 1 respondent each.

Source: SUPERMARKET BUSINESS

ATTRACTIVE DISPLAY and ample margin for discounting make lightbulbs tops in terms of both volume and profit for independent retailers surveyed.

CONSUMERS TRUST SUPERMARKETS for motor oil, but lack confidence in other automotives found on supers' shelves, independents report.

Fastest GM Movers: Lightbulbs, Auto Items, Magazines

In terms of fast movement, lightbulbs are the undisputed GM leader, "Real Worlds" found. They're followed by automotive products and magazines, based on frequency of election to the "Top Three Fastest Movers" list.

Independents credit lightbulbs' stellar performance to attractive, efficient display—as well as a lot of room for discounting to make them competitive.

Automotives' strong showing is due to excellent motor oil sales—other products don't fare as well, retailers said. Shoppers have begun to trust supermarkets for quality oil at competitive prices, but lack confidence in other auto items found in supermarkets, one Utah retailer told SB.

"People are willing to drive further and pay twice the price just because they're used to buying these other items in gas stations," he said. "For some reason, they feel a supermarket doesn't have the expertise to give them good quality."

This retailer thinks it will be quite a while before consumers accept the fact they can get the very same products for less money in supermarkets.

Magazines, named third most often to the "GM Best Sellers" roster, were merchandised with a wide variety of skill and effort by independents around the nation, SB found.

Checkout was the usual location for the most popular titles; many operators also gave special sections to supplemental titles and lines. One Sausalito, California retailer built himself a small library-like enclosure near the front of his store. Inviting atmosphere pulled high traffic to this high-profit section, an SB researcher observed.

Other often-cited top movers were flashlights and batteries, hosiery, stationery and photo products.

Q. What is your WEEKLY sales PER SQUARE FOOT for HBA and for other General Merchandise?

	All Responses	Suburban Stores	Small Town Stores	Neighborhood Area Stores
HBA sales per store per week	$1,761	$1,811	$2,427	$1,138
HBA area (sq.ft.)	301	433	235	130
HBA sales per sq. ft. per week	$ 5.85	$ 4.18	$10.33	$ 8.75
Other General Merchandise sales per store per week	$1,869	$1,823	$2,411	$1,497
Other General Merchandise area (sq.ft.)	394	479	379	256
Other General Merchandise sales per sq.ft. per week	$ 4.74	$ 3.81	$ 6.36	$ 5.85
HBA/Gen. Merch. sales per store per week	$3,630	$3,634	$4,838	$2,635
HBA/Gen. Merch. area (sq.ft.)	695	912	614	386
HBA/Gen. Merch. sales per sq.ft. per week	$ 5.22	$ 3.98	$ 7.88	$ 6.83

Source: SUPERMARKET BUSINESS

Out-of-Stocks Point Up Need for More Store-Level Effort

Q. What is Your HBA and Other GM Share of Store Area?

	All Responses	Suburban Stores	Small Town Stores	Neighborhood Area Stores
Total Store Area (sq. ft.)	12,242	12,656	12,101	11,605
HBA Area (sq. ft.)	301	433	235	130
"Other" GM Area (sq. ft.)	394	479	379	256
HBA % of Store Area	2.5%	3.4%	1.9%	1.1%
"Other" GM % of Store Area	3.2%	3.8%	3.1%	2.2%

Source: SUPERMARKET BUSINESS

Q. What is your HBA and Other GM Share of Store Sales ($)?

	All Responses	Suburban Stores	Small Town Stores	Neighborhood Area Stores
Weekly Sales per Store	$56,157	$58,580	$59,674	$49,436
HBA Weekly Sales per Store	$ 1,761	$ 1,811	$ 2,427	$ 1,138
"Other" GM Weekly Sales per Store	$ 1,869	$ 1,823	$ 2,411	$ 1,497
HBA % of Store Sales	3.1%	3.1%	4.1%	2.3%
"Other" Gm % of Store Sales	3.3%	3.1%	4.0%	3.0%

Source: SUPERMARKET BUSINESS

Abstract debate about loss of control took on concrete meaning for retailers when out-of-stocks came up.

Irritation with the service merchandiser invariably surfaced; few retailers seem to realize they do have some control over the GM/HBA section between his visits.

For example, almost never did SB encounter a retailer who tries to ease a stock-out problem with false backings, by bringing merchandise forward, or by spreading out the facings to cover holes in his displays.

Instead, shelves were left to languish in disarray, and the service merchandiser was blamed: "I can complain about out-of-stocks all I want, but it doesn't get him to bring the stuff in quicker," a Tampa area operator asserted.

"The service merchandiser comes in on Tuesday, so if we have a run on something, by Saturday I'm up a creek," a Phoenix retailer said.

Out-of-stocks were thought to be a problem by 37 percent of neighborhood store owners, 26 percent of small-town store owners and 15 percent of suburban store owners—though again, whether most retailers are in touch with their departments enough even to make such judgments is debatable.

"Real Worlds" analysis pegged service levels at 95.8 percent for GM and 95.5 percent for HBA in small-town stores; 92.8 percent for GM and 93.4 percent for HBA in neighborhood stores; and 92.8 percent for GM and 93.2 percent for HBA in suburban stores.

Need More Lead Time

Competition and lack of enough lead time was blamed by neighborhood and suburban store owners for their poorer showing. "Our routeman tells us, 'Don't worry—you're going to get promotion materials next month,' but a month is a long time, and he never pins it down," fumed a Chicago independent. "Does he mean we'll get the stuff at the beginning, the middle or the end of the month?

"We're in a battle here, and we can't afford to be kept in the dark like that," he concluded emphatically.

Fast market changes and consumer buying switches probably also cause more out-of-stock problems for suburban and neighborhood retailers, who struggle to keep up with them; out of the mainstream, small towns tend to change more slowly, and this no doubt works to the small-town operator's advantage.

One neighborhood operator was particularly critical of his service merchandiser's ability to keep up with his market: "He just doesn't understand the volatile nature of the grocery business at retail level, or the wants and needs of my customers. He really hasn't been able to help me keep up with the Joneses."

Service Merchandisers: A Mixed Blessing?

One of the more astounding—at least to SB's editors and researchers—findings of the "Real Worlds" study was the vast ignorance by all independent retailers of just what goes on in their GM/HBA departments.

When retailers who plan to expand GM/HBA space were asked what would be added, most referred SB to their routemen. Many admitted they don't know enough about the department to participate in deciding what should be added or dropped. In fact, an alarming number couldn't say even what was on their shelves at that moment, let alone what they would be stocking in coming months.

Clearly, the service merchandiser is a mixed blessing—while his expertise and in-store labor can be invaluable, he can also put the retailer completely out of touch with a crucial store category, SB found.

One West Coast operator, for example, apologized profusely to an SB researcher for the poor shape of his GM/HBA department. In fact, his was one of the better merchandised departments the researcher visited and was in excellent shape—the operator simply had no frame of reference or information on which to base his assessment of his own department.

Servicing on Upswing

Even so, "Real Worlds" statistics show more and more retailers are willing to trade control of their GM/HBA departments for freedom from responsibility for it. Purchases from service merchandisers accounted for 47 percent of independents' GM/HBA stock in 1979, up from 44 percent in 1978.

Explained a New Jersey operator, "I have enough problems with the rest of my store. Here's a situation where I know a department will be cared for reasonably well, and I don't have to do it. It seems to be worth it—I'm making money on the section."

Also on the upswing are direct-from-supplier purchases. Direct buying rose from 3.3 percent in 1978 to 3.5 percent in 1979.

Increases in service merchandising and direct buying seem to be at the expense of co-op warehouse purchasing, "Real Worlds" figures indicate. Co-op buying dropped from 44 percent in 1978 to 41 percent in 1979.

The shift toward service merchandising is most pronounced among small-town stores. Sophisticated ordering and delivery procedures implemented by their routemen sit well with these operators, who often are located far from the nearest co-op warehouse and lack confidence in their GM/HBA expertise.

Servicing is also growing among suburban and neighborhood operators, but more gradually.

...But Worry Persists

However, discrepancy between the statistics and gut feelings expressed by retailers in personal interviews suggests that the jury's still out on the service merchandiser question. Despite the statistical drop in co-op buying, operators frequently said they intend to switch to this method of supply—sometime in the future.

This, they stated, will give them better control over their product mix and out-of-stock situation. They know they'll need to increase man hours to compensate for loss of the routeman's services, but believe their personal input can boost sales enough to cover this cost. They'll also save the service merchandiser's seven- or eight-percent fee, they noted.

In short, the attitude often is, "Full control of my GM/HBA is the ideal situation, and that's where I'm headed. But I've got a lot of other things to worry about right now, so I'll let the service merchandiser take this one off my back in the meantime."

Stores that are not serviced have their own problems to contend with, of course. Since GM/HBA is new for many operators, neither they nor their employees have enough experience to wring all possible profit from their departments.

"I have enough problems with the rest of my store. Here's a situation where I know a department will be cared for reasonably well, and I don't have to do it."

So—until the day an independent grocer has all the time and expertise he needs to do all the things he has to do—probably the best advice successful GM/HBA retailers can give other operators is, "Take advantage of the service merchandiser's experience and shelf-stocking skills...but don't forget to do your part, too."

For, far too often, stores sadly neglect their GM/HBA, SB found. Disorganization, haphazard merchandising, ineffective J-hooking, miscalculated product mix and a host of other ills plagued this department. Frequently the product was dirty, poorly-lit and out-of-stock.

Such problems could be largely eliminated with a little retailer attention between service merchandiser visits. Observed one St. Louis operator, "There are better ways to get beaten in this business than to beat yourself with a sloppy, unappealing aisle.

"Our people are constantly going up the GM/HBA aisles to make sure they're in good shape. In this section, we're fighting a supermarket image to begin with—why make it worse by letting it be a *bad* supermarket image?"

TOYS ALONG WITH AUTOMOTIVES were cited more often than any other category as one which independents plan to add to their GM departments.

Q. Which HBA or GM items have you recently added or are planning to add?

	All Responses	Suburban Stores	Small Town Stores	Neighborhood Area Stores
(number of replies)	(60)	(34)	(9)	(17)
HBA Products				
Cosmetics	13.3%	14.7%	22.2%	5.9%
Cough & Cold	1.7	3.9	0.0	0.0
Toothpaste	1.7	3.9	0.0	0.0
Hair Products	1.7	0.0	11.1	0.0
Infant Formulas	1.7	0.0	11.1	0.0
Suntan Lotion	1.7	3.0	0.0	0.0
One or more	20.0%	23.5%	33.3%	5.9%
"Other" General Merchandise				
(number of replies)	(68)	(32)	(14)	(22)
Automotive Products	5.9%	3.1%	14.3%	4.6%
Toys	5.9	6.3	0.0	9.1
Magazines/Books	2.9	3.1	7.1	0.0
Appliances	2.9	3.1	7.1	0.0
Greeting Cards	2.9	0.0	7.1	4.6
Towels	1.5	0.0	0.0	4.6
Clothing	1.5	0.0	7.1	0.0
Kitchen Utensils	1.5	0.0	7.1	0.0
Photo Products	1.5	3.1	0.0	0.0
Soft Goods	1.5	0.0	0.0	4.6
Infant Wear	1.5	0.0	0.0	4.6
Plastic Flowers	1.5	3.1	0.0	0.0
Baby Bottle Brushes	1.5	0.0	7.1	0.0
Crystal	1.5	0.0	7.1	0.0
One or more	30.9%	21.8%	50.0%	31.5%

Source: SUPERMARKET BUSINESS

Cosmetics: First on List Of Planned Additions

Cosmetics lead the list of independents' planned GM/HBA additions. "Franchised fragrances and makeup are doing well for larger stores here, so we're going to give them a shot ourselves this year," a Denver independent told SB.

Of 60 respondents who said they plan to expand HBA, 13 percent will add cosmetics.

Automotives and toys lead the list of planned additions to GM sections. Each received four mentions among the 68 retailers who said they plan to expand GM. Other additions planned are magazines, greeting cards, soft goods, kitchen utensils, photo products, plastic flowers, baby accessories, and crystal.

COSMETICS LEAD THE LIST of planned HBA additions; 13 percent of those retailers who plan to expand said they will add these products to their shelves.

Q. Which are your 3 BEST SELLING HBA items?

(number of replies)	All Responses (95)	% Naming in TOP 3: Suburban Stores (45)	Small Town Stores (23)	Neighborhood Area Stores (27)
HBA Products				
Toothpaste	66.3%	68.9%	69.6%	59.3%
Shampoo	51.6	57.8	39.1	51.9
Deodorants	35.8	33.3	30.4	44.4
Headache Remedies	33.7	40.0	21.7	33.3
Hair Preparations	27.4	31.1	30.4	18.5
Cough & Cold	17.9	8.9	30.4	22.2
Other Oral Hygiene*	15.8	24.4	8.7	7.4
Sanitary Napkins	7.4	6.7	13.0	3.7
Disposable Diapers	6.3	4.4	8.7	7.4
Shaving Products	6.3	2.2	0.0	18.5
Hand Lotions	5.3	6.7	8.7	0.0
Nail Polish, Cosmetics	3.2	0.0	4.3	7.4
Infant Formulas	2.1	2.2	4.3	0.0
Other Packaged Medications	2.1	0.0	0.0	7.4
Others**	7.4	4.4	4.3	14.8

*Mouthwash, Denture Products
** 7 other items named by 1 respondent each.

Source: SUPERMARKET BUSINESS

"BEST SELLING" AND "MOST PROFITABLE" LISTS both included deodorants; the category placed third on the former and fifth on the latter.

Q. What is your MOST EXPENSIVE HBA item?

	All Responses	Suburban Stores	Small Town Stores	Neighborhood Area Stores
number of replies	(93)	(45)	(21)	(27)
HBA Products				
Vitamins	34.4%	37.9%	42.8%	22.2%
Hair Products	17.2	20.0	9.4	18.5
Cough & Cold	7.5	4.4	19.0	3.7
Shaving Products	7.5	6.7	4.8	11.1
Shampoo	6.5	2.2	4.8	14.8
Headache Remedies	6.5	6.7	4.8	7.4
Suntan Lotion	4.3	8.9	0.0	0.0
Cosmetics	4.3	4.4	4.8	3.7
Perfume	4.3	4.4	4.8	3.7

Range of Prices of top 3

Vitamins	$3.00 - $10.00
Hair Products	$2.09 - $ 7.00
Cough & Cold	$2.00 - $ 5.00

Source: SUPERMARKET BUSINESS

Caution's the Watchword On High-Ticket Items

While SB occasionally encountered an independent who hit the jackpot with a high-ticket item—"I took a gamble when I brought in chaise lounges that retailed for $135....and it turned out I couldn't stock the store fast enough!" one retailer told SB—by and large, the key word is caution.

"Real Worlds" statistics show pots and pans named most often as independents' highest-priced GM offerings. Vacuum bottles, jugs and chests followed. Neither category, however, made the list of top-selling GM items.

Top price quoted by retailers for pots and pans was $14.95; for vacuum bottles, chests and jugs, $18.

In third place, with a price range of $7 to $10, were photo supplies.

In the HBA category, vitamins were named by 34 percent of respondents as their highest-priced item. That vitamins also turned out to be among their slowest movers only serves to underscore that independents' merchandising stress is definitely not on high-end HBA.

In second place were hair preparations, retailing for up to $6; in third, cough and cold remedies, with a top price of $5. Following were shaving products, shampoo, and headache remedies.

In general, independents are conservative, and tend to keep prices at a level they believe their customers can afford: $3, $5 and, at most, $10.

FASTEST-SELLING GM ITEMS include mops and brooms, some independent retailers say.

Q. What is your MOST EXPENSIVE 'Other' General Merchandise Item?

(number of replies)	All Responses (94)	Suburban Stores (44)	Small Town Stores (23)	Neighborhood Area Stores (27)
"Other" General Merchandise				
Pots & Pans	17.1%	20.5%	4.3%	22.2%
Vacuum Bottles, Jugs, Chests	16.0	22.7	13.1	7.4
Photo Products	10.6	2.3	13.1	22.2
Appliances	8.5	11.4	4.3	7.4
Mops, Brooms	8.5	6.8	8.8	11.1
Clocks, Watches	6.4	6.8	8.8	3.7
Lightbulbs	3.2	4.5	4.3	0.0
Garbage Cans	3.2	2.3	4.3	3.7
Tools	2.1	4.5	0.0	0.0
Automotive Products	2.1	2.3	4.3	0.0
Floodlights	2.1	0.0	4.3	3.7
Electronic Toys	2.1	0.0	4.3	3.7
Sneakers, Shoes	2.1	2.3	4.3	0.0

Most expensive item: Microwave Ovens $359.00

Source: SUPERMARKET BUSINESS

Hair Preparations, Toothpaste Called 'Profitable' Most Often By Retailers in HBA Category

Independents know they can't judge profitability of GM/HBA lines on margins alone; the issue's a lot more complicated than that, they recognize.

"I wouldn't call an item that brings in tremendous profit, but sells infrequently, highly profitable item," a California suburban store owner explained.

"If it moves off your shelves only a tenth as fast as an item you make less on, you're much better off with the faster-moving item. Profitability has to be judged by turns as well as percentage."

Naturally, when a fast-moving product also carries top margins, the retailer's got the best of all possible worlds. Hair preparations fall into this category, "Real Worlds" data reveals. These products rank fourth on the list of top HBA sellers (behind toothpaste, shampoo and deodorant), and were most often named by retailers as among their most profitable items.

Toothpaste was the second-most-often cited item in the profitability category; third was cough and cold remedies; fourth, shampoo; fifth, deodorants; sixth, headache remedies; and so on.

"Real Worlds" data shows toothpaste and vitamin profitability to vary dramatically according to store type. More than a third of small-town and neighborhood stores report good profits with toothpaste...but just 16 percent of suburban store operators call this item 'Most Profitable'

In this case, competition's probably the biggest factor—to keep their customers from turning to discount drugstores and mass merchandisers, suburban stores are forced to heavily discount toothpaste.

Vitamins, conversely, get best reviews from suburban stores. A full 30 percent of suburban operators said vitamins are a 'Most Profitable' item, while not one small-town operator and just four percent of neighborhood operators put vitamins in this category.

Why such disagreement? One explanation is that suburban stores usually have larger vitamin selections and don't discount them very much. By contrast, neighborhood and small-town operators seldom give these items much space; nor do they merchandise them aggressively. Consequently, they don't earn much profit on the category.

Q. Which are your 3 MOST PROFITABLE HBA items?

(number of replies)	% Naming In TOP 3 All Responses (74)	Suburban Stores (30)	Small Town Stores (19)	Neighborhood Area Stores (25)
HBA Products				
Hair Preparations*	41.9%	53.3%	47.4%	24.0%
Toothpaste	29.7	16.7	36.8	40.0
Cough & Cold	27.0	13.3	47.4	28.0
Shampoo	25.7	23.3	15.8	36.0
Deodorants	23.0	13.3	21.1	36.0
Headache Remedies	21.6	13.3	15.8	36.0
Other Oral Hygiene	21.6	40.0	5.3	12.0
Cosmetics	18.9	20.0	15.8	20.0
Sanitary Items	17.6	10.0	31.6	16.0
Vitamins	13.5	30.0	0.0	4.0
Shaving Products	13.5	16.7	5.3	16.0
First Aid Products	6.8	10.0	10.5	0.0
Hand Lotion	6.8	3.3	10.5	8.0
Disposable Diapers	4.1	3.3	5.3	4.0
Antacids	2.7	3.3	0.0	4.0
Others**	10.8	10.0	5.3	16.0

* Excludes shampoos which are listed separately.
** 8 other items named by no more than 2 respondents each.

Source: SUPERMARKET BUSINESS

TOOTHPASTE RANKS HIGH on "best selling" and "most profitable" lists, reflecting retailers' tendency to view profits in terms of movement.

Changes In HBA/GM Space

HBA/GM Space in 1979 (number of replies)	Percent of Response: All Responses (58)	Suburban Stores (25)	Small Town Stores (14)	Neighborhood Area Stores (14)
Greater than '78	19.0%	20.0%	28.6%	10.5%
Same as '78	77.6	72.0	71.4	89.5
Smaller than '78	3.4	8.0	0.0	0.0
Total	100.0%	100.0%	100.0%	100.0%
1979 Change in Space	+9.8%	+3.7%	+16.3%	+17.5%

Depts. to have Space Increase In 1980 (number of replies)	Percent Of Response: All Responses (49)	Suburban Stores (23)	Small Town Stores (10)	Neighborhood Area Stores (16)
HBA Dept.	20.4%	8.7%	40.0%	25.0%
"Other" GM Dept	20.4%	8.7%	50.0%	18.8%

Source: SUPERMARKET BUSINESS

Q. What were your Changes in Sales ($)?

	All Responses	Suburban Stores	Small Town Stores	Neighborhood Area Stores
1979 vs 1978				
Total Store Sales	+9.7%	+7.6%	+15.2%	+8.7%
(Number of Replies)	(69)	(34)	(17)	(18)
HBA Sales	+8.7%	+7.4%	+13.9%	+6.2%
(Number of Replies)	(66)	(32)	(16)	(18)
Other GM Sales	+7.4%	+6.2%	+11.1%	+6.3%
(Number of Replies)	(64)	(33)	(15)	(16)
Expected '80 vs '79				
Total Store Sales	+10.1%	+10.4%	+14.6%	+5.9%
(Number of Replies)	(57)	(28)	(13)	(16)
HBA Sales	+9.4%	+10.8%	+12.4%	+4.3%
(Number of Replies)	(52)	(23)	(14)	(15)
Other GM Sales	+8.9%	+10.7%	+11.8%	+3.7%
(Number of Replies)	(51)	(23)	(13)	(15)

Source: SUPERMARKET BUSINESS

Neighborhood Store Distrust Of GM/HBA Crimps Its Sales

In neighborhood stores, a basic distrust of GM/HBA is crimping its sales. Curiously, repeated interviews with these operators turned up this paradox: Retailers are afraid to put GM/HBA in their stores because they fear it will turn customers off... but they put it in anyway, because their customers demand it.

In the words of one Cleveland area operator, "I make sure I have enough space for all my food before I worry about non-foods. My reputation was built on the food I carry—that's what people come to my store for.

"If I hurt that reputation by cutting shelf space to put non-foods in, there goes my reputation, and there go my customers."

Then why does he carry GM/HBA? "I have to, to be competitive."

Older stores—over half of all neighborhood stores visited were more than 20 years old—and older operators expressed a stick-to-foods attitude more strongly than did younger owners of newer stores.

Older operators often said their stores were known to their customers by the food they offer, and to upset that would be dangerous to their business. Competition, actual or imagined, also scares them. "Why waste money on a GM department when you can't win with it?" was the opinion of one Massachusetts neighborhood independent.

"If you have it, you have to advertise it. If you advertise, you have to discount. If you discount, you don't make anything on it, anyway."

Neighborhood operators are convinced shoppers won't buy GM/HBA in their stores, especially when they can get it cheaper at a discounter close by. Consequently, even when they stock and sell GM/HBA, they do so without enthusiasm. "It's a necessary evil," one said.

This attitude, SB's "Real Worlds" survey indicates, is hurting them. And it may hurt more in the near future as gas gets more costly, and more and more shoppers ask themselves, "Why should I waste my time and 10 cents' worth of gas to save five cents on a bottle of shampoo?"

The answer: the neighborhood independent may still not be carrying their favorite brand. ■

Competition in Market Area

(number of replies)	All Responses (92)	Suburban Stores (42)	Small Town Stores (23)	Neighborhood Area Stores (27)
Major Competition From				
Other supermarkets	87.0%	85.7%	82.6%	92.6%
Convenience stores	60.9	64.3	47.8	66.7
Discount Drug Chains	46.7	54.8	39.1	40.7
Mass merchandiser	27.2	23.8	17.4	40.7
Box stores	12.0	9.5	17.4	48.1
Other	2.2	2.4	0.0	3.7
	*	*	*	*

* Does not add to 100% because of multiple replies.

Source: SUPERMARKET BUSINESS